Supreme Court, U.S.
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No. 95-549

IN THE

Supreme Court of the United States

OCTOBER TERM, 1995

JENNIFER DUMAS and JENNIFER DUMAS, INC.,

Petitioners,

vs.

PLAYBOY ENTERPRISES, INC. and
SPECIAL EDITIONS, LTD.,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

REPLY BRIEF IN SUPPORT OF PETITION FOR A WRIT OF CERTIORARI

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PRELIMINARY STATEMENT

Playboy's Brief in Opposition seeks to bury the key question of law on which the Second and Seventh circuits are in conflict, namely, whether section 101(2) of the 1976 Copyright Act requires the parties' written work made for hire agreement to be signed before creation of the work. Playboy has sought to divert the court's attention from this question through a series of misstatements of the record on points having no relevance to the core issue of statutory interpretation raised by the Petition.

Playboy does not dispute the importance of the question presented to creators and affected industries, but urges rejection of the Petition on these grounds: the issue is not that important because Judge Posner's ruling in *Schiller & Schmidt, Inc. v. Nordisco Corp.*, 969 F.2d 410 (7th Cir. 1992) ("*Schiller*"), is dictum (Resp. Br. 11-12);[1] there is "uncertainty" as to whether the Seventh Circuit is in genuine conflict with the Second (*id.*); Dumas may win the ownership rights to the works at issue on another basis (*id.* 19); and the Second Circuit's statutory interpretation is correct because it is consistent with alleged prevailing practice in the relevant industries (*id.* 15-16).

We will demonstrate below that there is a clear conflict between the Seventh and Second Circuit holdings. Far from being insignificant verbiage, Judge Posner's conclusion that the written instrument required by section 101(2) must precede creation of the work has been recognized by the Second Circuit itself as an important legal holding. The Seventh Circuit ruling is the law of that circuit, and district courts there must follow it. Similarly, the Second Circuit's contrary holding on the same point will stand as binding law in that circuit, unaffected by any failure of Playboy to meet the additional requirement for its commissioned work ownership claim under section 101(2) that Nagel's paintings at issue be created at Playboy's "instance." The conflict between Second and Seventh Circuit's decisions on such a fundamental copyright ownership issue will continue to be the basis for the very uncertainty which -- as this Court fully explained in its unanimous decision in *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989) ("*CCNV*")

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[1] References to Respondents' Brief in Opposition are to "Resp. Br."

-- the work for hire provisions, including section 101(2), were designed to prevent.

Apparently recognizing the weakness of its legal position, Playboy first attempts to bury the issue of statutory interpretation by drawing attention instead to irrelevant and incorrect factual assertions -- precisely the tack Playboy took (successfully) before the court of appeals. Although Petitioner takes exception to Playboy's opening ploy, we address those factual matters after replying to Playboy's unfounded legal arguments, since the factual dispute is irrelevant to the key issue presented for review.

REPLY TO REASONS FOR DENYING THE WRIT

I. THE STATUS OF THE SEVENTH CIRCUIT'S RULE AS HOLDING WITH RESPECT TO SECTION 101(2) WAS RECOGNIZED BY THE SECOND CIRCUIT ITSELF AND CANNOT BE DISREGARDED IN ASSESSING THE UNCERTAINTY CAUSED BY THE DECISION BELOW.

Playboy's effort to pretend that Judge Posner's interpretation of section 101(2) is non-existent or unimportant dictum (Resp. Br. 11-12) flies in the face of the Second Circuit's own reading of *Schiller* and the status the Second Circuit accorded to the Seventh Circuit's reasoning. (53 F.3d at 558; 20-21a)

Playboy's alternative and strained argument that the Seventh Circuit might also find that Nagel's paintings at issue were made for hire under section 101(2) "on the facts presented here" is also thoroughly unconvincing. (Resp. Br. 12) If Judge Posner's clear articulation in *Schiller* of the statutory rule requiring a pre-creation writing meant anything, his ruling simply cannot square with any exception based upon an alleged "implicit" agreement "inferred" -- at a trial or in a court of appeals -- from the parties' alleged conduct or course of dealing.

Playboy's further erroneous argument, that because of the supposed "uncertainty" of *Schiller*'s meaning the Court should defer for "now" consideration of this crucial copyright ownership issue (Resp. Br. 12), only underscores the devastating uncertainty

that now surrounds section 101(2) and the uncertainty that the unresolved conflict between the circuits will continue to cause.

Finally, the absence of earlier decisions on the required timing of section 101(2)'s writing is no basis for accepting as "tolerable" (Resp. Br. 14) the circuit level conflict on such an important question, or the uncertainty that has resulted. Further, as noted elsewhere, the paucity of litigation on this point only suggests that those affected have been able, as intended by section 101, to address their ownership issues upfront. (Pet. 39)[2]

II. RESPONDENTS FAIL TO FIND ANY LEGAL AUTHORITY TO SUPPORT THE SECOND CIRCUIT'S INTERPRETATION OF SECTION 101(2).

A. *The Legislative History Expressly Shows That the Timing of the Written Instrument Required by Section 101(2) Was Indeed One of the "Series of Carefully Crafted Compromises."*

The portion of the legislative history relating to section 101(2) that includes the page quoted in Dumas' Petition makes it abundantly clear that there was not simply "one" compromise reflected in this provision but, as noted in *CCNV*, "a series of carefully crafted compromises." 490 U.S. at 748, n.14. The drafters' intention that the work for hire agreement be signed before the work is created was expressly noted there to be part of the series of compromises reflected in section 101(2)'s text. *See* H.R. Rep. No. 51-374, 89th Cong., lst Sess., Part 5, *1964 Revision Bill with Discussions and Comments*, at 145 (September 2, 1965) ("On the other hand, I would point out that it has to be 'a work prepared on special order or commission' in the first place. It would not be considered a 'work made for hire' if the contract were signed later on -- after the work was written for example. Moreover, and I think *this was the basic reason for our* acceptance of this compromise, at least there has to be a specific provision in the contract spelling this out." (Emphasis added)).

The Register of Copyright's Supplementary Report on the 1965 Revision Bill similarly explains that the several

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[2] References to "Pet." are to Dumas' Petition for Certiorari.

compromises embodied in the definition were not limited to the list of "categories" or "types" of works enumerated in section 101(2) (*see* Resp. Br. 16), but included both the "specially ordered or commissioned" and writing requirements. Register's Supplementary Report on the 1965 Revision Bill, Part 6 (May 1965) at 67, *reprinted in* 5 M.B and D. Nimmer, *Nimmer on Copyright* (1995), App. 15.

B. *Playboy Has Improperly Cited Unsuccessful Legislative Proposals as Evidence of Congressional Intent.*

Playboy has cited as evidence of supposed Congressional intent proposals in the Senate with respect to section 101(2) from 1982 to 1990 that never progressed through committee. Until the *Schiller* decision in 1992, there were no judicial interpretations on the point at issue. As the cases cited by Playboy themselves make clear, in the absence of judicial interpretations such failed bills cannot be cited as evidence of Congress' intent. *See Monessen S. R. Co. v. Morgan*, 486 U.S. 330, 337 (1988); *Blue Chip Stamps v. Manor Drug Stores*, 421 U.S. 723, 732-34 (1975).

Furthermore, when Playboy sought to introduce at trial many of the same materials it now cites (Resp. Br. 15-16), the district court properly sustained objections to their admission. (A714-15; Def. Ev. Mem. A84-86 with respect to Pl. Trial Ex. 47 and 48)[3]

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[3] The objections were based upon the facts that none of those post-1982 legislative materials were relevant to the Congressional intent of the two houses comprising the earlier Congresses that drafted and enacted the 1976 Copyright Act; that they did not pertain to any bills ever reported out of committee in the Senate, much less enacted into law, and were therefore not "legislative history" but blatant hearsay; and that the reasons for not amending a statute may well be that the proposals were considered redundant or unnecessary and that there is no official statutory reference point against which to determine why such unaccepted proposals never made it out of committee. *See Securities Indus. Ass'n v. Federal Home Loan Bank Board*, 588 F. Supp. 749 (D.D.C. 1984); *American Trucking Assoc. v. Atchison, T. & S.F. R. Co.*, 387 U.S. 397, 417-18 (1967); *International Brotherhood of Electrical Workers, Loc. U. 474 v. NLRB*, 814 F.2d 697, 712 (D.C. Cir. 1987); and N.J. Singer and J.G. Sutherland, *Statutory Construction*, § 48.08 (5th ed. 1992).

C. *Alleged or Actual Industry Practices Cannot Vary the Meaning of a Statute.*

In an effort to overcome the statute and legislative history relating to section 101(2), Playboy alternatively relies on alleged industry practice and hearsay postdating both the 1976 statute's passage and the parties' 10 years of dealings to support the Second Circuit's statutory interpretation and to challenge that of the Seventh Circuit. (Rep. Br. 16 n. 5) As previously noted, evidence of industry custom may bear on the meaning of a contract (Pet. 62). However, even apart from the evidentiary problems pertaining to this effort, *see* point D below, evidence of industry practice is not admissible to vary the meaning of a statute. *See* 2 M.B. and D. Nimmer, *Nimmer on Copyright*, § 8.04[I], p. 8-80.2 (1995) and cases cited there.

D. *In an Effort to Introduce on Appeal New Evidence on Industry Custom, Playboy Also Improperly Disregards (i) the Rule That it Cannot Expand the Record on Appeal and (ii) Unchallenged Evidentiary Rulings at Trial Excluding Such Hearsay Evidence.*

Playboy's citations to materials never introduced into evidence that contain unsworn, self-serving, out of court statements by third persons about alleged industry practices (Resp. Br. at 16) also disregard the rules of evidence and trial rulings never challenged on appeal. First, it is elementary that an appellate court should not consider evidence of facts newly presented on appeal. *Smith v. United States*, 343 F.2d 539, 541 (5th Cir.) (Wisdom, J.), *cert. denied*, 382 U.S. 861 (1965). Second, the out of court statements Playboy cites were selected by Playboy from those submitted to the Senate in the 1980's and 1990's about alleged industry practice. Such newly offered proofs are blatant hearsay which cannot substitute for the properly authenticated trial evidence on trade custom -- which, here, never established that after-the-fact work for hire agreements were a practice in the magazine or other publishing fields. *See also* point B, note 3 *supra*.[4]

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[4] Respondent's note 6 concerning the Perle & Williams treatise is in error. The text quoted at Resp. Br. 17-18 appeared in the 1988 edition at § *(Footnote continued)*

III. THE SECOND CIRCUIT'S DECISION ON THE MEANING OF SECTION 101(2) WILL BE THE LAW OF THAT CIRCUIT.

Although Dumas may, upon a remand, defeat Playboy's work for hire claims because Playboy cannot establish that any of the 185 1979-1984 paintings at issue here were created at its "instance," thereby rendering them not "commissioned," it is obvious that such a result will not wash away the Second Circuit's holding allowing a post-creation work for hire writing. In other words, such a result would do nothing to address the uncertainty created by the circuit conflict on this point. It is equally apparent that this Court's reversal of the Second Circuit error would eliminate the need for any remand on other section 101(2) issues and the expense and time such proceedings will entail for Dumas. (Pet. 37)

IV. RESPONDENTS CANNOT JUSTIFY THE COURT OF APPEALS' IMPROPER FACT-FINDING BY DISCUSSING OTHER REVERSED FACT-FINDINGS.

Playboy admits that the court of appeals came up with a new fact-finding, but attempts to excuse it by asserting that the court "did not reverse any particular finding of historical fact" and "did not take issue with any finding based on demeanor evidence." (Resp. Br. 22). But the district court clearly made a finding of fact inconsistent with the one constructed on appeal, and the district court's contrary finding was based on the testimony of Playboy's Art Director and sole trial witness as well as documentary proofs. The district court expressly found that, with respect to all of the Nagel artworks, there had been no discussion and no prior agreement concerning copyright ownership or a work made for hire relationship. (Pet. 14, 25)

Playboy's repeated litany that the facts allegedly supporting the appellate fact-finding were undisputed, *e.g.*, that Nagel never sought to publish any of the paintings reproduced by Playboy, that he never complained and did not act

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12.03[b] as well as in the 1992 edition which predated Mr. Perle's testimony.

inconsistently with Playboy's post-facto claims (Resp. Br. 21-22), misses the point that the burden is not on a creator to proclaim or assert his copyright ownership to retain his rights; indeed, the reverse is true. (Pet. 28-30) As shown below, these kinds of statements are also an obvious distortion of the record and irrelevant to the issue of statutory construction presented by the Petition. (*See* Point V below)

Playboy's alternative attempt to justify the Second Circuit's improper and unfounded fact-finding on the point at issue, by pointing to the court of appeals' reversal of certain other, different fact-findings (Resp. Br. 22-23), only serves to underscore the court of appeals' disregard of Rule 52(a).

V. PLAYBOY'S STATEMENT OF THE CASE INCLUDES NUMEROUS IRRELEVANT AND INACCURATE STATEMENTS.

Playboy's factual contentions exemplify the very kind of post-facto argument about copyright ownership that Congress sought to prevent by requiring upfront negotiations. Playboy's strategy is to present the parties and their relationship merely as entities engaged in ordinary commerce, and to label its distortion of the history of the case and the facts as "undisputed." Thus, we are told that Playboy gave Nagel his chance to make it (Resp. Br. 5) and helped "refine" his style (*id.* 2); that he simply followed Playboy's orders and performed according to Playboy's "parameters" (*id.* 2-3); and that Playboy made him and is really the party responsible for his talent and success. (*Id.* 2-3, 5) We are also told that all of the paintings at issue were created at Playboy's expense because it paid Nagel $150 to $250 each time it decided to purchase the right to reproduce one of his paintings in its magazine. In 10 years, there was even one instance when Playboy paid him the grand sum of $250 for a reproduction right and then, notwithstanding this extravagant outlay, decided before going to press not to use the painting in its magazine.[5] Playboy also points to 5 occasions on which it

[5] The citation to the record for this one instance at A1232 in Playboy's note 2 (Resp. Br. 6) is incorrect. It is actually evidenced at A2228, an inventory card showing a full $250 payment for a "killed," *i.e.*, not used, artwork, not a 1/4 regular price turndown fee. Playboy also inconsistently claims that

(Footnote continued)

paid the artist a "turn-down" fee of $75 (*id.* 5), representing one-fourth of its regular use payments (A453, 448-49).

Playboy's misguided goal is to show that Nagel was content with all of this and never complained (*id.* 21), "asserted any interest in" his works, or sought to republish them (*id.* 2). In other words, Nagel really owed his copyrights to Playboy and knew it. So, why should the courts care about authors' rights, the governing statute designed to protect them, or copyright policy?

Unfortunately for Dumas and the many persons affected by the "commissioned" work for hire ownership rules, Playboy's strategy worked, leading the court of appeals to make a decision which barely nodded at the statute and was essentially insensitive to its policy and goals: to encourage creativity by protecting authors' rights and to prevent uncertainty in the copyright marketplace by requiring that the parties actively address ownership issues upfront, and not after-the-fact with self-serving contentions about "implicit" understandings "inferred" from disputed and ultimately unilluminating "conduct."

Of course, Dumas disputed all of these misstatements both at trial and in the court of appeals. Contrary to Playboy's assertions, Nagel did license to others, as previously noted, republication rights for certain "look alikes" of the works that Playboy reproduced, without objection from Playboy (Pet. 12). Nagel was also not a contributor who conformed to Playboy's "parameters" but rather, in the striking words of its founder and Editor in Chief, Hugh Hefner, "such a large talent" that Playboy could not direct him; indeed, his paintings were found to be useful to Playboy "in a way no commissioned illustration ever had." (A3410B; *accord* Staebler A638-40, A1040, A3757, A2691)[6] Playboy's unilateral intention (Staebler A619-21, 676;

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there were "many" instances of such payments for artworks not published (Resp. Br. 5) but cites only one. (*Id.* 6, n.2)

[6] Nagel had no need to place copyright notices on his paintings submitted to Playboy because they were unpublished. *See* 17 U.S.C. § 401 (1976 Act prior to 1988 amendment); 1909 Act 17 U.S.C. § 10 (repealed). Once published, Playboy's copyright notice for the collective work as a whole, 17 U.S.C. § 201(c), protected his separate copyrights in his contributions. *See* 17 U.S.C. § 404; *Goodis v. United Artists Television, Inc.*, 425 F.2d 397 (2d

(Footnote continued)

see 831 F. Supp. at 302 n.5, 47a) and supposed practice "to seek" to acquire the copyrights of all contributors was contradicted by a record littered with instances where it admittedly used other Playboy forms and did not obtain such rights, and even followed the industry practice of reassigning to creators the copyrights it did acquire. (Pet. 20, Staebler, A652-55; A2923-25, A3009-13)

Dumas did indeed argue that Playboy's meager $150-$250 after-the-fact payment checks did not come close to showing that Nagel's paintings (for which he bore tens of thousands of dollars of expense annually (A23, SF #49-51; Def. Ex. *BL*, A3238-3407) and which each sold for thousands of dollars (A2891-93, A2898)) were created "at Playboy's expense" (53 F.3d at 555, 13a), particularly where Playboy's own Art Director and sole trial witness insisted that Playboy never had any "overall agreement or commitment" to pay the artist until after he created and submitted the work and after it then decided to accept the submission and send him a payment check bearing one of its legend endorsements (Pet. 14-15; A565-66). The record also shows that none of the handful of turn-down payments that Playboy cites occurred after June of 1978 (Resp. Br. 5, n.1),[7] that none involved the works with respect to which check endorsement Legends B and C were used (*id.*), and that therefore none related to any of the 145 artworks affected by the Second Circuit's ruling on section 101(2). (*Id.*)

Finally, Playboy's above-noted smoke screen of legal arguments and "factual" presentations continue to ignore the rules of evidence and trial evidentiary rulings, as they did below. Thus:

Cir. 1970). However, Nagel had good reason to place a copyright notice on his paintings delivered to his art publisher Mirage Editions (A18, SF #27) destined for public display in gallery exhibitions, namely, to avoid divestive publication without notice under the 1909 Act. *See* H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. (1976) at 144; *Letter Edged In Black Press, Inc., v. Public Bldg. Com.*, 320 F. Supp. 1303, 1310-11 (N.D. Ill. 1970).

[7] As noted above in note 5, the $250 payment for a "killed" work in September 1979 was not a turn-down fee but a payment made for reproduction rights that Playboy then chose not to exercise. (A2228)

- Playboy mischaracterizes plaintiff's trial exhibit 51, excerpts from two books which it calls "trade publications," in order to establish Playboy's claimed but unproven policy of acquiring copyrights. (Resp. Br. 3) At trial, Playboy stipulated that it would not use this exhibit for the truth of any of its contents (A544-45).
- Playboy also refers to the contents of unsworn statements of third persons about non-existent legislation belatedly proffered here as supposed legislative history. (Resp. Br. 15-16) As noted in Point II-B above, these kinds of materials (Pl. 47 and 48) were excluded from the trial in rulings never appealed.
- Similarly, Playboy's contentions about "turn-down" fees were not the basis for its trial arguments, *see* A89-133, 215-74; are the subject of unreversed findings that any Playboy turn-down fee policy was unproven, unclear and based on self-interested testimony, *see* 831 F. Supp. at 305-06, 313, 54a, 70a; and are contradicted by the documented proofs relating to paintings for which there was no evidence of publication by Playboy and with respect to which Playboy presented no proof of payment to Nagel. (*See* Pl. Ex. 22, A 2201; 2204, 2273-74; 2216; 2238; 2234; 2251; 2255; 2269 and 2272).

CONCLUSION

The court should grant the Petition for Certiorari.

Respectfully Submitted,

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